Supreme Court, U.S.
FILED
MAY 3 - 1993
OFFICE OF THE CLERK

No. 92-1750

In The
Supreme Court of the United States
October Term, 1992

JOHN C. FOGERTY,

Petitioner,

vs.

FANTASY, INC.,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Ninth Circuit

PETITION FOR WRIT OF CERTIORARI

KENNETH I. SIDLE
Counsel of Record for Petitioner
GIPSON HOFFMAN & PANCIONE
1901 Avenue of the Stars
Suite 1100
Los Angeles, CA 90067
(310) 556-4660

COCKLE LAW BRIEF PRINTING CO., (800) 225-6964
OR CALL COLLECT (402) 342-2831

62 pp

I.

QUESTION PRESENTED

Whether the prevailing Ninth Circuit standard for awarding attorney's fees in copyright actions, which makes it more difficult for prevailing defendants to obtain an award of attorney's fees than for prevailing plaintiffs and which precludes awards of attorney's fees to prevailing defendants absent a finding that the action was frivolous or brought in bad faith, is the proper standard to be applied under the Copyright Act, 17 U.S.C. § 505.

II.

PARTIES TO THE PROCEEDINGS

In addition to the Petitioner and Respondent named in the caption, above, the following entities were defendants and appellants in the proceedings below: Warner Bros. Records Inc., WEA International Inc., WEA Manufacturing Inc., Warner-Elektra-Atlantic Corporation, and Warner Communications Inc. (sometimes referred to collectively herein as the "Warner Defendants"). The only issue raised in this petition relates to the proper standard for an award of attorney's fees to prevailing defendants, and due to a contractual agreement between them, Fogerty has indemnified the Warner Defendants for and in fact paid the attorney's fees incurred by such defendants.

Pursuant to Rule 29.1 of the Supreme Court Rules, Petitioner makes the following disclosure: Warner-Elektra-Atlantic Corporation (referred to as "WEA Corporation" in the proceedings below) is a subsidiary of Warner Bros. Records Inc. Warner Bros. Records Inc., WEA International Inc., and Warner Manufacturing Inc. are subsidiaries of Warner Communications Inc. Warner Communications Inc. is a direct subsidiary of TWE Holdings Inc. and an indirect subsidiary of Time Warner Inc. While some of the Warner entities which are parties to this action have subsidiaries, such subsidiaries are wholly-owned. None of the Warner entities which are parties to this action are publicly traded corporations, and, of the parent and subsidiary corporations listed above, only Time Warner Inc. is a publicly-traded corporation.

III.

TABLE OF CONTENTS

		Page
I.	QUESTION PRESENTED	i
II.	PARTIES TO THE PROCEEDINGS	ii
III.	TABLE OF CONTENTS	iii
	TABLE OF AUTHORITIES	iv
IV.	JUDGMENTS BELOW	2
V.	JURISDICTION	2
VI.	CONSTITUTIONAL PROVISIONS AND STATUTES INVOLVED	3
VII.	STATEMENT OF THE CASE	3
VIII.	BASIS FOR FEDERAL JURISDICTION IN THE DISTRICT COURT	9
IX.	REASONS FOR GRANTING A WRIT OF CERTIORARI IN THIS CASE	10
	A. The Dual Standard for Awarding Attorney's Fees in Copyright Actions Adopted by the Ninth Circuit, Which Makes it More Difficult for Prevailing Defendants to Recover Their Attorney's Fees than Prevailing Plaintiffs, is in Conflict with the Even-Handed Standard Adopted by Other Circuits in Applying 17 U.S.C. § 505	10
	B. The Proper Interpretation of 17 U.S.C. § 505 Is An Important Question of Federal Law Which This Court Has Not Yet Resolved	16
X.	CONCLUSION	21

TABLE OF AUTHORITIES

Page

CASES

ABKCO Music Inc. v. Harrisong Music Ltd., 722 F.2d 988 (2nd Cir. 1983) 18

Academy of Motion Pictures Arts and Sciences v. Creative House Promotions, Inc., 944 F.2d 1446 (9th Cir. 1991) 11

Bibbero Systems, Inc. v. Colwell Systems, Inc., 893 F.2d 1104 (9th Cir. 1990) 11

Cohen v. Virginia Electric and Power Company, 617 F.Supp. 619 (E.D. Va. 1985), *affirmed*, 788 F.2d 247 (4th Cir. 1986) 13, 15, 17

Cooling Systems and Flexibles, Inc. v. Stuart Radiator Inc., 777 F.2d 485 (9th Cir. 1985) 10

Dean v. Burrows, 732 F.Supp. 816 (E.D. Tenn. 1989) 15

Diamond v. Am-Law Publishing Corp., 745 F.2d 142 (2nd Cir. 1984) 12

Fantasy, Inc. v. Fogerty, 654 F.Supp. 1129 (N.D. Cal. 1987) 7, 8

Fantasy, Inc. v. Fogerty, 664 F.Supp. 1345 (N.D. Cal. 1987) 7

Flag Fables, Inc. v. Jean Ann's Country Flags and Crafts, Inc., 753 F.Supp. 1007 (D. Mass. 1990) 14

Fogerty v. Fantasy, Inc., 984 F.2d 1524 (9th Cir. 1993) 2

Frank Music Corp. v. Metropolitan-Goldwyn-Mayer Inc., 886 F.2d 1545 (9th Cir. 1989), *cert. denied*, 494 U.S. 1017, 110 S.Ct. 1321, 108 L. Ed. 2d 496 (1990) 11

TABLE OF AUTHORITIES – Continued

Page

Hartman v. Hallmark Cards, Inc., 833 F.2d 117 (8th Cir. 1987) 14

Herbert v. Wicklund, 744 F.2d 218 (1st Cir. 1984) 14

Hughes v. Novi American, Inc., 724 F.2d 122 (Fed. Cir. 1984) 14

Jartech, Inc. v. Clancy, 666 F.2d 403 (9th Cir. 1982), *cert denied*, 459 U.S. 826, 103 S.Ct. 58, 74 L. Ed. 2d 62 (1982), *reh'g denied*, 459 U.S. 1059, 103 S.Ct. 477, 74 L. Ed. 2d 624, *second reh'g denied*, 463 U.S. 1237, 104 S.Ct. 33, 77 L. Ed. 2d 1453 (1983) 10

Lieb v. Topstone Industries Inc., 788 F.2d 151 (3d Cir. 1986) 13

MCA, Inc. v. Parks, 796 F.2d 200 (6th Cir. 1986) 14

McCulloch v. Albert E. Price Inc., 823 F.2d 316 (9th Cir. 1987) 10, 11

Motta v. Samuel Weiser, Inc., 633 F.Supp. 32 (D. Me. 1986) 14

Olson v. National Broadcasting Company Inc., 855 F.2d 1446 (9th Cir. 1988) 11

Pasillas v. McDonalds' Corp., 927 F.2d 440 (9th Cir. 1991) 11, 18

Reader's Digest Association, Inc. v. Conservative Digest, Inc., 821 F.2d 800 (D.C. Cir. 1990) 12

Roth v. Pritikin, 787 F.2d 54 (2nd Cir. 1986) 9, 12

Rural Telephone Service Co., Inc. v. Feist Publications, Inc., 24 U.S.P.Q. 2d (BNA) 1312, 1992 U.S. Dist. LEXIS 10289, Copyright L. Rep. (CCH) ¶ 27,035 (D. Kan. 1992) 15

TABLE OF AUTHORITIES – Continued

Page

Shaw v. Lindheim, 908 F.2d 531 (9th Cir. 1990) 18

Sherry Manufacturing Co. v. Towel King of Florida Inc., 822 F.2d 1031 (11th Cir. 1987)..... 13

Simon & Flynn, Inc. v. Time, Inc., 513 F.2d 832 (2nd Cir. 1975) 7

Video Views, Inc. v. Studio 21, Ltd., 925 F.2d 1010 (7th Cir. 1991), *cert. denied*, ___ U.S. ___, 112 S.Ct. 181, 116 L. Ed. 2d 143 (1991).....9, 12

Warner Brothers Pictures Inc. v. Columbia Broadcasting System, 216 F.2d 945 (9th Cir. 1954), cert. denied, 348 U.S. 971, 75 S.Ct. 532, 99 L.Ed. 756 (1955) 20

Words & Data, Inc. v. GTE Communications Services, Inc., 765 F.Supp. 570 (W.D. Mo. 1991)..... 15

STATUTES

15 U.S.C. § 11250(a) 5

17 U.S.C. § 501 et seq 9

17 U.S.C. § 505..... *passim*

28 U.S.C. § 1254(1) 2

28 U.S.C. § 1331..... 9

28 U.S.C. § 1338(a) 9

28 U.S.C. § 1338(b) 9

OTHER AUTHORITIES

3 M. Nimmer and D. Nimmer, *Nimmer on Copyright* (Matthew Bender 1992), Section 14.09..... 7

No. _____

In The

Supreme Court of the United States

October Term, 1992

JOHN C. FOGERTY,

Petitioner,

vs.

FANTASY, INC.,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Ninth Circuit

PETITION FOR WRIT OF CERTIORARI

Petitioner respectfully petitions this Court to issue a writ of certiorari to review the judgment of the United States Court of Appeals for the Ninth Circuit, contained in its opinion dated February 2, 1993, in the matter of *Fogerty, et al. v. Fantasy, Inc.*, Nos. 88-15815, 88-15816, 89-15118, and 89-15120.

IV.

JUDGMENTS BELOW

The judgment and opinion in the matter of *Fogerty, et al. v. Fantasy, Inc.*, Docket Nos. 88-15815, 88-15816, 89-15118, and 89-15120, was entered by the United States Court of Appeals for the Ninth Circuit on February 2, 1993, and is reported at 984 F.2d 1524 (9th Cir. 1993). A copy of the judgment and opinion is attached hereto at Appendix A-1. (The Appendix shall be referred to herein as "App.") The opinion and order of the United States District Court in Case No. C85-4929-SC dated January 6, 1989, which was affirmed by the above, is unreported and is attached hereto at App. A-23.[1]

V.

JURISDICTION

The jurisdiction of this Court is invoked pursuant to 28 U.S.C. § 1254(1). The order of the Ninth Circuit for which review is sought was entered on February 2, 1993. (App. A-1.) No petition for rehearing was sought in the Ninth Circuit, and no extension of time within which to file a petition for a writ of certiorari has been sought.

[1] The Court of Appeals in *Fogerty v. Fantasy, Inc.*, 984 F.2d 1524 (9th Cir. 1993) also affirmed two other orders of the District Court, dated May 2, 1986 and June 9, 1987, which are not the subject of this petition.

VI.

CONSTITUTIONAL PROVISIONS AND STATUTES INVOLVED

17 U.S.C. § 505. Remedies for Infringement: Costs and Attorney's Fees.

In any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs.

VII.

STATEMENT OF THE CASE

Petitioner Fogerty seeks review by writ of certiorari of an order of the Ninth Circuit Court of Appeals entered on February 2, 1993, affirming the orders of the court below. (App. A-1.) In particular, Petitioner seeks review of the Court of Appeals' order affirming the District Court's denial of an award of attorney's fees to Fogerty and the Warner Defendants[2] after they prevailed at trial on respondent Fantasy Inc.'s ("Fantasy") copyright infringement claims. (App. A-23 at A-30 through A-32.)

[2] Pursuant to a customary provision in such contracts, in accordance with the songwriting contract between Fogerty and the Warner Defendants, Fogerty indemnified and reimbursed the Warner Defendants for their attorneys' fees and costs incurred in defending this action, paying a total of over $1 million for both his and the Warner Defendants' defenses. *See* footnote 5, *infra*.

Fogerty's relationship with Fantasy and the music publishing contracts at issue in this copyright infringement action goes back to 1968, when Fogerty was the lead singer and songwriter of a musical group which came to be known as "Creedence Clearwater Revival" ("CCR"). Within a very short period of time, CCR became hugely successful, making several record albums which went "platinum," recording singles which reached the Billboard Top Ten, and selling tens of millions of records. CCR, with Fogerty as its creative leader, developed a distinctive style of music (dubbed "swamp rock" by the media) which was and still is widely popular.

Due in part to numerous disputes with Fantasy's predecessor entities, CCR disbanded in 1972. In 1974, Fantasy's predecessor allowed Fogerty to buy his partial freedom from his recording and music publishing agreements, and Fogerty signed with Elektra/Asylum Records, then a division of Warner Communications Inc. In 1980, Fogerty completed the purchase of his freedom from his agreements with Fantasy's predecessors. In 1984, Fogerty and the Warner Defendants released an album entitled "Centefield," Fogerty's first album in ten years. This album was critically acclaimed and a hit with the public, selling over two million copies. It was for a time the number one selling album in the United States.

The "Centerfield" album included, among others, a song entitled "Old Man Down The Road" ("Old Man"). Within months after the release of "Centerfield," two lawsuits were simultaneously filed which challenged Fogerty's right to create and market the songs on "Centerfield": this action for copyright infringement and other

claims with respect to the song "Old Man," and a defamation action in which Saul Zaentz, the principal owner of Fantasy, claimed that two other songs on the "Centefield" album defamed him.[3] During the course of the copyright trial, Zaentz testified that the copyright and defamation actions brought against Fogerty were "an answer to a vendetta." (Reporter's Transcript at 908.)

Fantasy's federal copyright infringement claim in this action was based upon its assertion that "Old Man," the copyright to which is owned by Fogerty, was an unauthorized copy of the song "Run Through The Jungle" ("Jungle"), which Fogerty had written in or about 1970 and the copyright to which is claimed by Fantasy. The jury trial of Fantasy's federal copyright infringement claim[4] commenced on October 24, 1988. On November 7,

---

[3] This was not the first litigation filed between Fantasy and Fogerty. In 1978, Fogerty and his wife, Martha, had filed a complaint in state court in California which included Fantasy's predecessor (Argosy Venture) and Saul Zaentz as defendants. After Fantasy's predecessor and Zaentz were dismissed from that action on statute of limitations grounds, Zaentz brought a lawsuit against Fogerty for malicious prosecution. Zaentz' action against Fogerty was later dismissed on summary judgment.

[4] Fantasy's original Complaint, filed on July 26, 1985, alleged claims for copyright infringement, breach of contract, breach of the covenant of good faith and fair dealing, conspiracy, violation of 15 U.S.C. § 11250(a), unfair competition, declaratory relief and conversion. The pendant, state law and Lanham Act claims asserted by Fantasy were voluntarily dismissed before trial after Fogerty filed a motion for judgment on the pleadings with respect to such claims. Fogerty counterclaimed against Fantasy, alleging claims for rescission of his music publishing agreements with Fantasy's claimed predecessors and for

1988, after only a little over two hours of deliberations, the jury returned a verdict for the defendants and against Fantasy, and judgment was entered for Fogerty and the Warner Defendants on that date.

After the successful conclusion of the jury trial and the entry of judgment on the jury verdict in favor of all defendants and against plaintiff, Fogerty and the Warner Defendants filed a motion for an award of their actual costs and for an award of reasonable attorney's fees pursuant to 17 U.S.C. § 505. In support of the motion, the moving parties submitted evidence documenting their actual costs in the sums of $129,882.80 and $28,042.32 and their actual legal fees in the sums of $735,335.00 and $197,462.00.[5] Fogerty argued, among other things, that

---

restitution of his songs, copyright infringement, damages, and an accounting. Certain parts of Fogerty's counterclaims were stricken by order of the District Court entered on May 2, 1986, and, on June 9, 1987, the District Court granted summary judgment to Fantasy on Fogerty's first and second counterclaims for rescission and copyright infringement.

[5] The total legal fees incurred by defendant Fogerty were $735,335.00, and the total costs incurred by him were $129,882.80. The total legal fees incurred by the Warner Defendants were $197,462.00 and the total costs, $28,042.32. Pursuant to the song writing contract between them, Fogerty indemnified and actually paid the legal fees and costs incurred by the Warner Defendants. Hence, Fogerty incurred a total of $1,090,722.12 in legal fees and costs in this action. The magnitude of the fees incurred in this action is the result, in part, of the extensive discovery conducted by Fantasy (who took Fogerty's deposition for five days without even getting to the songs in question) and motion practice regarding the extent to which Fantasy could include foreign sales proceeds of the Warner Defendants in its damage claim and several hearings regarding

Fantasy and Zaentz had bad faith motives in prosecuting Fogerty as part of a vendetta and not out of any actual belief in the validity of the copyright infringement claim. The District Court awarded costs only in the sums of $18,012.60 and $2,063.25[6] and denied in full the request for an award of reasonable attorney's fees.

In denying an award of attorney's fees to the defendants, the District Court stated that it was doing so based upon the Ninth Circuit standard for awards of attorney's fees to prevailing defendants under 17 U.S.C. § 505, which standard requires a finding of either frivolousness or bad faith in order for such an award to be made to a defendant who defeats a claim of copyright infringement. (App. A-23 at A-30.) In applying this standard, the District Court held:

> "The Court finds that Fantasy's infringement suit was not brought frivolously nor in bad faith. Although the facts of this case did not present the textbook scenario of copyright infringement, the Court has held that Fogerty could indeed be held liable for copyright infringement even where he also wrote the song

---

legal issues in the case. *See, e.g., Fantasy Inc. v. Fogerty*, 654 F.Supp. 1129 (N.D. Cal. 1987); *Fantasy Inc. v. Fogerty*, 664 F.Supp. 1345 (N.D. Cal. 1987). In addition, the case was pre-tried several times, and the trial itself lasted two weeks.

[6] Section 505 allows for *recovery* of "full costs." There is no rationale for limitation of costs as ordered by the District Court. Other courts have even allowed double the costs incurred to be awarded against a plaintiff in a copyright action. *See, e.g., Simon & Flynn, Inc. v. Time, Inc.*, 513 F.2d 832 (2nd Cir. 1975). *See also*, 3 M. Nimmer and D. Nimmer, *Nimmer on Copyright* (Matthew Bender 1992), Section 14.09, pp. 14-106 to 14-107.

allegedly infringed, *Fantasy, Inc. v. Fogerty*, 654 F. Supp. 1129, 1132 (N.D.Cal. 1987). Fantasy's suit was not frivolous merely because it presented a case of first impression. Nor does Fantasy's "knowledge of Fogerty's creativity" mean that this suit was brought in bad faith, where a finding of subconscious copying would have supported Fantasy's infringement claim. And although the Court did not allow Fantasy to maintain a "breach of warranty" claim, Fantasy's attempt to argue such a theory is no more in bad faith than was Fogerty's pretrial assertion that the "fair use" defense of the Copyright Act was applicable to him.

"Because the Court finds that Fantasy's suit alleging that 'Old Man' infringed upon 'Jungle' was not filed frivolously nor in bad faith, the Court finds that whatever animosity exists between Fogerty and Zaentz does not warrant an award of attorneys' fees. Fogerty's motion for attorneys' fees is HEREBY DENIED."

(App. A-23 at A-31 through A-32.)

On appeal to the Ninth Circuit, Fogerty and the Warner Defendants requested, *inter alia*, that the Court of Appeals adopt an evenhanded rule for awards of attorney's fees pursuant to 17 U.S.C. § 505, or carve out an exception to the dual standard in cases where self-copying is alleged against a defendant.[7] Defendants requested an *en banc* hearing with respect to this issue, which was

---

[7] Fogerty also argued that the District Court did not properly apply the standard in this case, because it assumed that an action which is not frivolous (accepting the way the court erroneously defined "frivolous") cannot be brought in bad faith.

denied. In affirming the District Court's denial of an award of attorney's fees to Defendants, the Court of Appeals held:

> "With regard to Fogerty's argument that the existing Ninth Circuit standard should be abandoned in favor of the approach of the Third and Eleventh Circuits, this panel is bound by the existing circuit rule, which conforms with the approach of the Second and Seventh Circuits. *See, Video Views, Inc. v. Studio 21, Ltd.*, 925 F.2d 1010, 1022 (7th Cir.), *cert. denied*, 112 S.Ct. 181 (1991); *Roth v. Pritikin*, 787 F.2d 54, 57 (2nd Cir. 1986). We decline to create an exception or to call for an *en banc* hearing to revisit the rule at this time."

(App. A-1 at A-22.) It is this ruling which is the basis for Fogerty's petition to this Court for a writ of certiorari.

VIII.

BASIS FOR FEDERAL JURISDICTION IN THE DISTRICT COURT

The District Court had subject matter jurisdiction over respondent Fantasy's claim for copyright infringement pursuant to 17 U.S.C. § 501 *et seq.* and over pendant claims pursuant to 28 U.S.C. §§ 1331, 1338(a). The District Court had subject matter jurisdiction over Fogerty's counterclaims pursuant to 17 U.S.C. § 501 *et seq.* and pendant jurisdiction pursuant to 28 U.S.C. §§ 1331, 1338(b).

IX.

REASONS FOR GRANTING A WRIT OF CERTIORARI IN THIS CASE

A. The Dual Standard for Awarding Attorney's Fees in Copyright Actions Adopted by the Ninth Circuit, Which Makes it More Difficult for Prevailing Defendants to Recover Their Attorney's Fees then Prevailing Plaintiffs, is in Conflict with the Even-Handed Standard Adopted by Other Circuits in Applying 17 U.S.C. § 505.

Since 1982, it has been the law in the Ninth Circuit that a prevailing defendant in civil litigation brought under the Copyright Act may not be awarded attorney's fees under Section 505 unless it can be demonstrated that the action was frivolous or was instituted and prosecuted in bad faith. *Jartech, Inc. v. Clancy*, 666 F.2d 403, 407 (9th Cir. 1982), *cert denied*[8] 459 U.S. 826, 879, 103 S.Ct. 58, 175, 74 L. Ed. 2d 62, 143 (1982), *reh'g denied*, 459 U.S. 1059, 103 S.Ct. 477, 74 L. Ed. 2d 624, *second reh'g denied*, 463 U.S. 1237, 104 S.Ct. 33, 77 L. Ed. 2d 1453 (1983) (where attorney's fees awarded to prevailing copyright defendant, it is a penalty for frivolous or bad faith suit); *Cooling Systems and Flexibles, Inc. v. Stuart Radiator Inc.*, 777 F.2d 485, 493 (9th Cir. 1985) (fees awarded to prevailing defendant under § 505 due to sufficient evidence of bad faith and frivolousness of suit); *McCulloch v. Albert E. Price, Inc.*, 823 F.2d 316, 322-323 (9th Cir. 1987) (specifically adopts

---

[8] The questions presented on the petition for certiorari did *not* include whether the dual standard was the proper standard to apply under 17 U.S.C. § 505.

dual standard for fee awards to defendants versus plaintiffs, finding prevailing defendants must demonstrate bad faith or frivolousness but prevailing plaintiffs are generally to be awarded their fees); *Olson v. National Broadcasting Company, Inc.*, 855 F.2d 1446, 1454 (9th Cir. 1988) (court bound by previous Ninth Circuit decisions to apply dual standard of awarding fees and cannot adopt evenhanded standard without en banc hearing); *Bibbero Systems, Inc. v. Colwell Systems, Inc.*, 893 F.2d 1104, 1108-9 (9th Cir. 1990) (denies defendant's request for fees and applies dual standard, rejecting request for change to evenhanded rule); *Pasillas v. McDonalds' Corp.*, 927 F.2d 440, 443-4 (9th Cir. 1991) (rejects defendant's request for attorney's fees because suit was not frivolous or in bad faith, applying dual standard); *Academy of Motion Pictures Arts and Sciences v. Creative House Promotions, Inc.*, 944 F.2d 1446, 1457-58 (9th Cir. 1991) (relying on dual standard, rejects defendant's request for fees because action was not frivolous or in bad faith; court cannot adopt evenhanded rule without en banc hearing).

In contrast, the Ninth Circuit applies a different standard where a plaintiff, as opposed to a defendant, prevails in a civil action under the Copyright Act, and, in such circumstances, reasonable attorney's fees are generally awarded to such plaintiffs without demonstrating anything other than that the plaintiff prevailed and that the fee was reasonable. *Frank Music Corp. v. Metropolitan-Goldwyn-Mayer, Inc.*, 886 F.2d 1545, 1556 (9th Cir. 1989), *cert. denied*, 494 U.S. 1017, 110 S.Ct. 1321, 108 L. Ed. 2d 496 (1990); *McCulloch, supra*, 823 F.2d at 323. This "dual" or "asymmetrical" approach adopted by the Ninth Circuit, is, in essence, a judicial gloss on the attorney's fees provision of the Copyright Act which imposes additional considerations of policy upon fee awards to defendants

which are not expressed in the Copyright Act or in the legislative history of Section 505.

The Second, Seventh, and District of Columbia Circuits have agreed with the Ninth Circuit's interpretation of Section 505 and have applied a dual standard which imposes a greater burden on prevailing defendants for awards of attorney's fees in copyright infringement actions than that imposed on prevailing plaintiffs. *See, e.g., Diamond v. Am-Law Publishing Corp.*, 745 F.2d 142, 148-149 (2nd Cir. 1984) (upholding distinction between awarding fees to prevailing plaintiffs and defendants in copyright actions and requiring defendant to establish lack of objective merit to plaintiff's claims); *Roth v. Pritikin*, 787 F.2d 54, 57 (2nd Cir. 1986) (adopts dual standard and reverses award of fees to defendant due to absence of finding that claim was "baseless, frivolous, unreasonable or brought in bad faith"); *Video Views, Inc. v. Studio 21, Ltd.*, 925 F.2d 1010, 1022 (7th Cir. 1991), *cert. denied*,[9] ___ U.S. ___, 112 S.Ct. 181, 116 L. Ed. 2d 143 (1991) (defendant did not prevail, but even if it did, prevailing defendant must demonstrate that claim was brought in bad faith or was frivolous to recover fees); *Reader's Digest Association, Inc. v. Conservative Digest, Inc.*, 821 F.2d 800, 809 (D.C. Cir. 1990) (does not address conflict among circuits, but states that "courts generally have agreed" that defendants are entitled to fees in copyright suits only when claims are frivolous or brought in bad faith; upholding denial of fees to defendant because claim was not frivolous).

---

[9] The question presented on the petition for certiorari was unrelated to the question of whether the dual standard was the proper standard to apply under 17 U.S.C. § 505.

In contrast, the Third, Fourth and Eleventh Circuits have interpreted Section 505 to mean what it says and have applied an "evenhanded" standard. Prevailing parties are permitted an award of attorney's fees, and the discretion of the district court to award attorney's fees under the statute is not limited where the defendant is the prevailing party. *See, e.g., Sherry Manufacturing Co. v. Towel King of Florida Inc.*, 822 F.2d 1031, 1033-35, n. 3 (11th Cir. 1987) (prevailing defendant in copyright action need not establish that plaintiff acted in bad faith or suit frivolous to recover attorney's fees); *Lieb v. Topstone Industries Inc.*, 788 F.2d 151, 154-56 (3d Cir. 1986) (rejecting dual standard of Ninth and Second Circuits and holding that there is not an absolute requirement of bad faith or frivolousness for an award of fees to a prevailing defendant); *Cohen v. Virginia Electric and Power Company*, 617 F.Supp. 619, 620-623 (E.D. Va. 1985), *affirmed*, 788 F.2d 247 (4th Cir. 1986) (adopting evenhanded rule and rejecting Second Circuit standard, holding that legislative history of Section 505 provides no basis for departing from plain meaning of section and no policy favors the dual standard).

The view of the Third, Fourth and Eleventh Circuits holds that there is no congressional intent expressed in the statute to create a distinction in favor of plaintiffs in copyright litigation. This evenhanded or "unified" approach rejects bad faith or frivolousness of a legal claim as absolute requirements for an award of attorney's fees to a prevailing plaintiff *or* to a prevailing defendant, although such factors may of course be considered by the district court in exercising its discretion under Section 505.

The remaining circuits have not yet addressed the issue of what standard to apply to awards of fees to a prevailing defendant in copyright actions, either not addressing the conflict among the circuits or expressly refusing to take sides. *See, e.g., Hughes v. Novi American, Inc.*, 724 F.2d 122, 125-126 (Fed. Cir. 1984) (did not address conflict, but upheld award of fees to prevailing copyright defendant where counsel knew there was no merit to the claim and plaintiff gave false answers to discovery requests); *Herbert v. Wicklund*, 744 F.2d 218, 223-224 (1st Cir. 1984) (not reaching question of what standard to apply to prevailing defendant due to failure to preserve issue for appeal); *MCA, Inc. v. Parks*, 796 F.2d 200, 204-5 (6th Cir. 1986) (discusses split in courts regarding whether to require bad faith for awards of fees in copyright actions or to apply evenhanded approach, but states that proper standard for award of fees is not before it on appeal); *Hartman v. Hallmark Cards, Inc.*, 833 F.2d 117, 122-23 (8th Cir. 1987) (discussing conflict among circuits in awarding attorney's fees under Section 505 and holding that case before it did not require selection of definitive standard).

While the First Circuit has not decided what standard to apply to prevailing defendants in copyright actions, two district courts in that circuit have adopted the "dual" standard and have required defendants to demonstrate bad faith or frivolousness to recover fees. *See Motta v. Samuel Weiser, Inc.*, 633 F. Supp. 32, 33 (D. Me. 1986); *Flag Fables, Inc. v. Jean Ann's Country Flags and Crafts, Inc.*, 753 F. Supp. 1007, 1016-17 (D. Mass. 1990). Similarly, in the Sixth Circuit, one district court has adopted the dual standard of the Ninth and Second Circuits and held that

awards to prevailing defendants under Section 505 are "disfavored" absent a frivolous or bad faith prosecution by the plaintiff. *Dean v. Burrows*, 732 F. Supp. 816, 826-27 (E.D. Tenn. 1989). In the Tenth Circuit, one district court has addressed the split among the circuits on this issue and has applied the dual standard, denying attorney's fees to a prevailing defendant because the lawsuit was not frivolous or brought in bad faith. *Rural Telephone Service Co., Inc. v. Feist Publications, Inc.*, 24 U.S.P.Q. 2d (BNA) 1312, 1992 U.S. Dist. LEXIS 10289, Copyright L. Rep. (CCH) ¶ 27,035 (D. Kan. 1992).

In contrast, in the Eighth Circuit, a district court has analyzed the split among the circuits, and, noting the Eighth Circuit's avoidance of adopting any particular standard, has held that neither prevailing plaintiffs nor prevailing defendants should be awarded attorney's fees as a matter of course. *Words & Data, Inc. v. GTE Communications Services, Inc.*, 765 F.Supp. 570, 581-83 (W.D. Mo. 1991) (denying award of fees to prevailing defendant because plaintiff's claim was not baseless).

A review of the case law as it has developed in the Circuit Courts thus demonstrates a clear conflict among the circuits, and a lack of guidance for the district courts in those districts which have not yet taken a position, regarding whether Section 505 requires that prevailing defendants be subjected to a stricter standard for awards of attorney's fees than prevailing plaintiffs. This Court should grant Fogerty's petition for writ of certiorari so that this conflict may finally be resolved.

B. The Proper Interpretation of 17 U.S.C. § 505 Is An Important Question of Federal Law Which This Court Has Not Yet Resolved.

As the law presently stands, copyright infringement plaintiffs fare much better, and defendants much worse, in the Ninth, Seventh, District of Columbia and Second Circuits, where the courts are given much less discretion in determining whether a prevailing defendant may recover the attorney's fees s/he was forced to incur in defending him or herself. The conflict among the circuits regarding the proper interpretation of Section 505 presents an opportunity for plaintiffs with doubtful copyright infringement claims to forum shop and creates uncertainty in those circuits which have not yet ruled upon the question as to the ability of copyright defendants to recover their attorney's fees if they successfully defend themselves in court. This conflict presents an important issue of federal law which has not yet been, but should be, resolved by this Court.

The policies underlying the conflicting dual and evenhanded approaches to interpreting Section 505 of the Copyright Act are well summarized by the decision in *Cohen, supra,* 617 F.Supp. at 622-623:

> " . . . [A]bsolutely nothing in the statute [17 U.S.C. § 505] or in the legislative history gives to courts any authority to distinguish between an award of attorney's fees to a prevailing defendant and an award to a prevailing plaintiff. . . . [¶]Nor am I persuaded that a distinction should be made in an award because there is some need to encourage plaintiffs to file suit which differs in public benefit from a need to encourage

> defendants to defend suits. Copyright laws are not intended for the benefit of prospective plaintiffs. Who may be a plaintiff and who may be a defendant doesn't define the difference between good guys and bad guys. Nor can we assume that plaintiffs are inherently impecunious while defendants have deep pockets. Entities which sue for copyright infringement as plaintiffs can run the gamut from corporate behemoths to starving artists; the same is true of prospective copyright infringement defendants. Nor can it be argued on any principled ground that society is better off when a plaintiff files and wins a copyright infringement suit that when a defendant defends and wins a copyright infringement suit. Indeed, if there is any difference between the two we must remember that it wasn't the defendant who chose to litigate. . . . [¶]
>
> "The statute surely says nothing more or less than that a judge is to use an even-handed approach to awarding attorney's fees to a prevailing party. [Citations omitted.] . . . [P]laintiff caused defendant considerable expense and trouble in plaintiff's losing cause. In other words, plaintiff lost and deserved to lose and there is no reason why the discretion of the court should not be exercised to award fees in accordance with the provisions of the statute."

Nowhere are the *Cohen* court's points more valid than in this case, and this case demonstrates the importance of a resolution of the conflict between the dual and evenhanded standards by this Court. A tremendously gifted artist, Fogerty, whose rights the Copyright Act is designed to protect, is the defendant. Plaintiff is a

wealthy corporation with the animosity and wherewithal to prosecute numerous claims against Fogerty. There is no coherent copyright policy concern which justifies conferri.g a benefit on Fantasy for its actions in unsuccessfully bringing and prosecuting this lawsuit, yet the dual standard adopted by the Ninth Circuit and applied in this case confers a huge benefit on Fantasy by making it more difficult for the defendants to recover their attorney's fees than it would have been for the plaintiff to have recovered its fees had its claims been successful.

Application of the dual standard in cases like the present case results in a tactical windfall to plaintiffs such as Fantasy. It is impossible for a defendant accused of self-copying, who has written both the alleged infringed and alleged infringing works, to extricate himself from an infringement action before trial. The simple elements of an infringement action are access and similarity to a prior copyrighted work, from which copying may be inferred. *Pasillas v. McDonald, supra* at 442; *Shaw v. Lindheim,* 908 F.2d 531, 534 (9th Cir. 1990). Under these circumstances, where the defendant authored both works, the case will almost of necessity go to the jury and not be subject to dismissal because: (a) the requirement of access is necessarily met; (b) substantial similarity of objectively similar works, being by the same author and in the same style, is required to be decided at trial and not on motion, *see Shaw, supra,* 908 F.2d at 541; and (c) the doctrine of "subconscious copying," *see ABKCO Music Inc. v. Harrisong Music Ltd.,* 722 F.2d 988, 997-999 (2nd Cir. 1983), permits a trial even where the author expressly denies copying.

Because a defendant in a self-copying case like this one is unlikely to prevail on a motion to dismiss or for summary judgment, it is also almost impossible under the present Ninth Circuit standard for awarding attorney's fees in copyright actions for such a defendant to obtain an award of the attorney's fees he incurred in defending himself. The District Court's ruling in this action (App. A-23 at A-31 to A-32) demonstrates the difficulty encountered by a prevailing defendant who seeks an award of fees under Section 505 where the dual standard is applied , since the fact that the plaintiff was able to get to the jury was relied upon by the District Court to support both the conclusion that the case was not frivolous and the conclusion that it was brought in good faith, even where the defendants were forced to incur over $1 million in attorney's fees to defend themselves, where the jury was able to decide the lack of merit to the action in two hours, and where there was a history of animosity between the parties.

Fogerty's predicament, and that of others in positions similar to his, when embarking upon new compositions must also be considered. According to the District Court's rulings in this case, an author may be liable for infringement of a work even though he is the author of and the beneficial owner of that work *and* he may infringe that work by subconsciously copying himself. The author must factor into this equation the fact that the corporate owner of the rights to his earlier works may have animosity towards him and a willingness to sue for infringement. The author is thus placed in a position as an artist where he must create new music completely dissimilar to any of his earlier, successful works if he wishes to be confident of avoiding legal attack from those who bear

him ill will and who control the copyrights to his earlier creative works. This is an undesirable perversion of the copyright law and is contrary to the purpose of the Copyright Act, "which is to encourage the production of the arts." *Warner Bros. Pictures Inc. v. Columbia Broadcasting System*, 216 F.2d 945, 950 (9th Cir. 1954), *cert. denied*, 348 U.S. 971, 75 S.Ct. 532, 99 L.Ed. 756 (1955).

Under the dual standard, when the copyright owner of an artist/author's prior work chooses to sue in the Ninth Circuit, it is granted a free roll of the dice to prevent that artist/author from continuing to create and to compete with new copyrighted works similar to his or her old works. The owner of the copyrights to the prior works can file infringement claims with the comforting knowledge that, as the law presently stands in the Ninth Circuit, (1) its case almost certainly will get to trial; (2) if it prevails, the general practice would be for the copyright owner to recover its attorney's fees, and (3) the defendant would have a heavy burden to meet to obtain an award of statutory attorney's fees against the copyright owner should the suit fail.[10] Armed with knowledge of this legal advantage, plaintiffs in Fantasy's position are free to exert economic leverage on the author in a manner

---

[10] In contrast, plaintiffs who file suit in the Third, Fourth or Eleventh Circuits are required to investigate and consider more carefully the merits of their claims prior to bringing suit and imposing the costs of defense on a defendant, since the discretion of the court to award attorney's fees to prevailing defendants under Section 505 is not limited exclusively to cases where a plaintiff's bad faith or the lawsuit's frivolousness can be shown.

never contemplated by the Copyright Act. As an example, in this case, Fantasy refused to pay Fogerty over $1.4 million in royalties it admittedly owed him until resolution of this action, while causing Fogerty to incur over $1 million in attorney's fees and costs in defending the action. Although Fogerty had the wherewithal to withstand this economic coercion this time, many other authors whose interests are meant to be protected and preserved by the Copyright Act will not be able to do so and will succumb to the economic power of those stronger in the marketplace who sue for copyright infringement.

Because the conflicting interpretations of Section 505 lead to potential forum shopping and application of different standards and because the application of the dual standard is contrary to the purposes underlying the Copyright Act itself, this Court should grant certiorari to resolve this important issue.

X.

CONCLUSION

The dual approach for considering awards of attorney's fees to prevailing defendants and prevailing plaintiffs in copyright actions adopted by the Ninth Circuit is in conflict with decisions of the Third, Fourth and Eleventh Circuits. Moreover, the interpretation of 17 U.S.C. § 505 is an important question of federal law which has not been, but should be, settled by this Court.

Petitioner, therefore, respectfully requests that this Court grant certiorari to review the judgment of the Ninth Circuit, dated February 2, 1993.

Respectfully submitted,

KENNETH I. SIDLE
Counsel of Record for Petitioner
GIPSON HOFFMAN & PANCIONE
1901 Avenue of the Stars
Suite 1100
Los Angeles, California 90067
(310) 556-4660

FOR PUBLICATION

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

FANTASY, INC., *Plaintiff-Counterdefendant-Appellee,* v. JOHN C. FOGERTY, *Defendant-Counterclaimant-Appellant.*	No. 88-15815 D.C. No. CV-85-4929-SC
FANTASY, INC., *Plaintiff-Appellee,* v. JOHN C. FOGERTY, *Defendant,* and WARNER BROS. RECORDS, INC.; WEA INTERNATIONAL, INC.; WARNER COMMUNICATIONS, INC.; WEA MANUFACTURING, INC.; and WEA CORPORATION, *Defendants-Appellants.*	No. 88-15816 D.C. No. CV-85-4929-SC

FANTASY, INC., *Plaintiff-Counterdefendant-Appellee,* v. JOHN C. FOGERTY, *Defendant-Counterclaimant-Appellant.*	No. 89-15118 D.C. No. CV-85-4929-SC
FANTASY, INC., *Plaintiff-Appellee,* v. JOHN C. FOGERTY, *Defendant,* and WARNER BROS. RECORDS, INC.; WEA INTERNATIONAL, INC.; WARNER COMMUNICATIONS, INC.; WEA MANUFACTURING, INC.; and WEA CORPORATION, *Defendants-Appellants.*	No. 89-15120 D.C. No. CV-85-4929-SC **OPINION**

Appeal from the United States District Court
for the Northern District of California
Samuel Conti, District Judge, Presiding

Argued and Submitted
November 2, 1992 – San Francisco, California

Filed February 2, 1993

Before: Robert Boochever, John T. Noonan, Jr., and Diarmuid F. O'Scannlain, Circuit Judges.

Opinion by Judge Boochever

SUMMARY

Civil Litigation and Procedure/Summary Judgment/Statutes of Limitation/Res Judicata/ Pleading/Attorneys and Judges/Attorneys' Fees

The court of appeals affirmed a judgment of the district court. The court held that the district court was correct in its conclusion on summary judgment motion that the available evidence indicated that one party's use of an escrow account pending resolution of the action did not amount to a material breach of the contracts between the parties.

In 1970, appellant John C. Fogerty wrote a song. He sold exclusive publishing rights to a predecessor of appellee Fantasy, in exchange for royalties. In 1985, Fogerty published another copyrighted song. Fantasy, holder of the copyright to the earlier song by assignment, sued for infringement, contending the latter song was merely the former with different words. Fogerty pleaded multiple counterclaims, including for rescission of the music publishing agreements and copyright infringement of the original song, based on Fantasy's ceasing royalty payments to him and placing all such proceeds in an escrow account pending resolution of the copyright action. In 1988, a jury verdict found that Fogerty did not infringe the Fantasy copyright with his later song. Fogerty appealed serveral of the district court's orders.

In 1986, the district court struck from the first counterclaim allegations of fraudulent inducement by Saul

Zaentz with respect to a tax shelter scheme between 1969 and 1974. In 1987, the district court granted Fantasy summary judgment on two counterclaims, holding that Fantasy had not materially breached its contracts with Fogerty by depositing royalty payments due him in escrow, beginning in 1985, pending resolution of the copyright action. After Fogerty prevailed at trial, the district court denied his motion for attorneys' fees.

[1] The district court reasonably construed Fogerty's answer as suggesting that the Zaentz allegations and the 1985 failure to pay royalties were independent and cumulative grounds for rescission. If the Zaentz allegations of acts taking place between 1969 and 1974 were intended as a separate claim for rescission, that claim was barred by the four-year limit on such actions, and the court properly struck them as immaterial.

[2] Any breach by Fantasy was nonmaterial under accepted legal principles applied to the available evidence. Fogerty failed to show that Fantasy did not keep accurate records, deposit the royalties in escrow, or promptly release all the funds to him after trial; or that any injury occasioned by delayed payment could not be compensated in damages; Fantasy would suffer substantial forfeiture if rescission were granted and ownership of the song awarded to Fogerty; Fantasy's actions and communications with respect to the escrow made clear that its failure was always likely to be cured; and Fogerty presents no evidence that Fantasy failed to adhere to good faith and fair dealing.

[3] The district court did not apply the wrong standard in its ruling regarding the award of attorneys' fees

to the prevailing party in a copyright infringement action. The court properly applied the disjunctive frivolousness *or* bad faith standard in denying Fogerty's motion for fees.

COUNSEL

Kenneth I. Sidle, Gipson Hoffman & Pancione, Los Angeles, California, for the defendants-appellants.

Malcolm Burnstein and Catherine Trimbur, Burnstein & Trimbur, San Francisco, California, for the plaintiff-appellee.

OPINION

BOOCHEVER, Circuit Judge:

BACKGROUND

In 1970 appellant John Fogerty, a popular musician and songwriter, wrote a song entitled "Run Through the Jungle" ("Jungle"). Fogerty sold the exclusive publishing rights to the song to Fantasy, Inc.'s predecessors-in-interest, Cireco Music and Galaxy Records, in exchange for a sales percentage and other royalties derived from the song's exploitation. Cireco and Galaxy obtained a copyright on "Jungle," which Fantasy subsequently obtained by assignment.

In 1985 Fogerty published a song entitled "The Old Man Down the Road" ("Old Man"), registered a copyright, and authorized Warner Brothers Records, Inc. to distribute "Old Man." Fantasy alleged that "Old Man"

was merely "Jungle" with new words and filed an action for copyright infringement against Fogerty, Warner, and related companies. Fogerty pleaded four counterclaims, seeking rescission of the music publishing agreements he had entered into with Cireco and Galaxy and restitution of the songs covered by those contracts and, assuming a favorable ruling on the rescission claim, alleging copyright infringement of those songs by Fantasy and seeking damages and an accounting. After a jury trial on Fantasy's copyright claim in late 1988, a jury returned a verdict for Fogerty, finding that Fogerty did not infringe "Jungle" with his song "Old Man."

Fogerty appeals several of the district court's orders that preceded and followed the jury trial. First, the court ruled in 1986 to strike from Fogerty's First Counterclaim allegations that Saul Zaentz, a general partner in Galaxy and later a minority shareholder and director of Fantasy, and Argosy Venture, Galaxy's sole shareholder, had fraudulently induced Fogerty to enter an unwise and illegal tax shelter scheme between 1969 and 1974 ("the Zaentz/Argosy allegations"). Second, the court ruled in 1987 that Fantasy was entitled to summary judgment on Fogerty's First and Second Counterclaims, holding that Fantasy's payment of Fogerty's songwriting royalties into an irrevocable escrow account pending resolution of the copyright action did not constitute a material breach warranting rescission of the music publishing agreements. *Fantasy, Inc. v. Fogerty*, 664 F.Supp. 1345, 1353-55 (N.D. Cal. 1987). Finally, after Fogerty had prevailed at trial, the court denied Fogerty's motion for attorneys' fees. This court has jurisdiction under 28 U.S.C. § 1291. We affirm in all respects.

DISCUSSION

I

In its 1986 order, the district court denied Fantasy's motion to dismiss Fogerty's First and Second Counterclaims, but ordered the striking of allegations concerning Zaentz and Argosy that the court found were barred by the statute of limitations and by res judicata. Fogerty challenges this order on the grounds that the Zaentz/Argosy allegations were only part of a claim that, as a whole, was not barred, and that the entire course of conduct between the parties was relevant to Fogerty's counterclaims because it went to the materiality of Fantasy's breach of the music publishing agreements. We review a district court's decision to strike matter pursuant to Fed. R. Civ. P. 12(f) for an abuse of discretion. *See Federal Sav. & Loan Ins. Corp. v. Gemini Management*, 921 F.2d 241, 243 (9th Cir. 1990) (striking of affirmative defenses under Rule 12(f)); *Northern Cheyenne Tribe v. Hodel*, 851 F.2d 1152, 1155 (9th Cir. 1988).

Rule 12(f) provides that a court "may order stricken from any pleading . . . any redundant, immaterial, impertinent, or scandalous matter." "[T]he function of a 12(f) motion to strike is to avoid the expenditure of time and money that must arise from litigating spurious issues by dispensing with those issues prior to trial. . . . " *Sidney-Vinstein v. A.H. Robins Co.*, 697 F.2d 880, 885 (9th Cir. 1983). " 'Immaterial' matter is that which has no essential or important relationship to the claim for relief or the defenses being pleaded." 5 Charles A. Wright & Arthur R. Miller, *Federal Practice and Procedure* § 1382, at 706-07 (1990). " 'Impertinent' matter consists of statements that

do not pertain, and are not necessary, to the issues in question." *Id.* at 711. Superfluous historical allegations are a proper subject of a motion to strike. *See, e.g., Healing v. Jones,* 174 F.Supp. 211, 220 (D. Ariz. 1959).

[1] Fogerty's First Counterclaim, as amended in his second answer, contained some seven pages of allegations concerning the tax shelter plan and his dealings with Zaentz and Argosy; only a few lines were devoted to Fogerty's allegation that Fantasy committed a material breach by escrowing Fogerty's royalties after the copyright infringement action arose. The district court reasonably construed paragraph 84 of Fogerty's second answer as suggesting that "the Zaentz/Argosy allegations and the 1985 failure to pay royalties constitute independent and cumulative grounds for rescission." Order re Plaintiff's Motion to Dismiss Amended Counterclaims and Defendant's Motion to Reconsider Imposition of Sanctions at 4. If these allegations, based on events occurring between 1969 and 1974, were indeed meant to serve as the basis of a separate claim for rescission, they were barred by the four-year statute of limitations for an action to rescind a written contract. *See* Cal. Civ. Proc. Code § 337 (West 1982). The only basis on which Fogerty properly could base his rescission counterclaim was Fantasy's escrowing of royalties beginning in January 1985.

Fogerty was also barred by res judicata from relitigating the tax plan claims against Zaentz or his successors-in-interest. Although Fogerty gained substantial recovery from his lawyers and accountants for his injuries from the tax shelter plan, the California Superior Court dismissed Fogerty's claims against Zaentz based on the statute of

limitations. Fogerty appealed that ruling, but later abandoned the appeal. Fogerty now denies that Zaentz was Fantasy's predecessor-in-interest, although his answer alleged otherwise.[1] Fogerty cannot reassert the allegations of fraud regarding the tax plan, either as the basis for a damages claim (as he did in state court) or as a ground for rescission (as he did in district court here). Because the statute of limitations and res judicata would prevent proof of the Zaentz/Argosy allegations from being introduced at trial, the material was properly stricken under Rule 12(f). *See* 5 Wright & Miller, *supra,* § 1382, at 711-12.

Fogerty argues on appeal that the district court misconstrued his pleading and that the Zaentz/Argosy allegations were not meant to constitute an independent ground for rescission, but rather to present "relevant background and foundational facts" establishing a pattern of abuse to support his claim of Fantasy's material breach of the music publishing agreements. Even were we to accept Fogerty's "pattern of abuse" argument, however, the district court did not abuse its discretion in striking the Zaentz/Argosy allegations. The district court expressly found that no pattern of abuse existed, and concluded that Fogerty had offered "no legal theories regarding the relevance of these so-called 'abusive acts'

---

[1] Indeed, Fogerty's briefs suggest an attempt to have it both ways: when arguing that the conduct of predecessors-in-interest is relevant to a determination of materiality, Fogerty categorizes Zaentz as Fantasy's predecessor-in-interest, but when arguing that his claims are not barred by the statute of limitations or res judicata, Fogerty argues that Zaentz is *not* a predecessor of Fantasy.

to the claims for rescission and restitution . . . [nor] any coherent legal argument that the string of alleged 'abuses' he lists constitutes fraud which would justify the rescission of songwriting contracts made in 1969." Order re Motions to Reconsider and Motions for Attorneys' Fees and Costs at 4. Although the course of conduct between the parties to a contract may be relevant to the materiality of a breach, Fogerty offers no authority for the proposition that the conduct of a *predecessor-in-interest* is relevant to materiality; in fact, he now denies that Zaentz *was* a predecessor-in-interest to Fantasy. Fogerty had ample opportunity to present his legal arguments to the district court, and he failed to do so. The court did not abuse its discretion in concluding that whether Zaentz fraudulently induced Fogerty's consent to the tax plan agreements simply was not relevant to the materiality of any breach Fantasy might have committed by escrowing royalties in 1985.

Moreover, in granting Fantasy's motion to strike, the district court correctly noted that the Zaentz/Argosy allegations created serious risks of prejudice to Fantasy, delay, and confusion of the issues. The allegations did not involve the parties to the copyright infringement action, but rather consisted of stale and barred charges that had already been extensively litigated and would have been burdensome for Fantasy to answer. There was a strong likelihood that evidence of the disputes between Fogerty and Zaentz/Argosy would lead to unwarranted and prejudicial inferences against Fantasy. *See Loughrey v. Landon*, 381 F. Supp. 884, 888 (E.D. Pa. 1974). Finally, the stricken allegations would have unnecessarily complicated the trial of the copyright claim by requiring the introduction

of extensive evidence of the tax plan agreements and a mass of related documents, potentially adding weeks to the trial. The district court could properly grant the motion to strike for the purpose of streamlining the ultimate resolution of the action and focusing the jury's attention on the real issues in the case. *See California ex rel. State Lands Comm'n v. United States*, 512 F. Supp. 36, 38 (N.D. Cal. 1981).

Finally, there is no merit to Fogerty's claim that the court erroneously considered "a volume of material" outside the pleadings in ruling on Fantasy's motion to strike. Of the four documents that Fogerty challenges, two are Fogerty's and Fantasy's requests for judicial notice, which could properly be considered by the court in ruling on the motion to strike. *See Sears, Roebuck & Co. v. Metropolitan Engravers*, 245 F.2d 67, 70 (9th Cir. 1956); William W. Schwarzer et al., *Cal. Prac. Guide: Fed. Civ. Pro. Before Trial* 9:403 (TRG 1992) (grounds for motion to strike must appear on face of pleading or from matters which court may judicially notice). The other two documents designated by Fogerty are (1) a declaration of one of Fogerty's attorneys that Fogerty submitted in support of his request for judicial notice, which had no relevance to the motion to strike and was not mentioned in the court's order, and (2) an affidavit of one of Fantasy's attorneys regarding attorneys' fees, which the district court considered only with respect to Fantasy's motion for sanctions under Fed. R. Civ. P. 11.[2] Nor did the court err in ruling on the

---

[2] Fogerty filed his first answer, including counterclaims, on November 11, 1985. Fantasy filed a motion to dismiss the counterclaims. Fogerty filed a second answer, including amended

preclusion issue at the preliminary stage of the motion to strike, as the grounds for the district court's ruling that the Zaentz/Argosy allegations were barred by res judicata appeared on the face of the pleadings and from matters of which the court took judicial notice.

II

In its 1987 order, the district court granted Fantasy's motions for summary judgment on Fogerty's counterclaims for rescission of the music publishing agreements and copyright infringement. The court held that Fantasy's deposit of Fogerty's royalties in an irrevocable escrow account pending the outcome of the copyright action did not amount to a material breach of the music publishing agreements. Because the court did not grant rescission, Fogerty could not maintain his counterclaim for infringement of the "Jungle" copyright. After trial, the court denied Fogerty's motion for reconsideration. Fogerty challenges the granting of summary judgment on his counterclaims on the grounds that the existence of numerous disputed issues of material fact rendered summary judgment improper and that the facts, when viewed in the light most favorable to Fogerty, did not entitle Fantasy to judgment as a matter of law. We review a grant of summary judgment de novo. *Jones v. Union Pacific R.R.*, 968 F.2d 937, 940 (9th Cir. 1992).

---

counterclaims, on February 19, 1986, thereby rendering fantasy's motion to dismiss moot. On February 21, 1986, the district court held that Fogerty and his attorneys had violated Rule 11 in filing the first set of counterclaims and imposed sanctions in the amount of $5,000.

The district court based its ruling in part on *Arthur Guinness & Sons v. Sterling Pub. Co.*, 732 F.2d 1095, 1101 (2nd Cir. 1984), which the court interpreted as holding that "[a]s a matter of law, a 'bona fide dispute' regarding royalty payments does not amount to a material breach unless the contracts expressly provides so." *Fantasy, Inc.*, 664 F. Supp. at 1354. Thus, once the court concluded that the dispute between Fantasy and Fogerty was bona fide and found no express statement in the music publishing agreements that deposit of royalties in an irrevocable escrow account would be considered a material breach, it concluded that no material breach occurred. *Guinness* only stated, however, that a bona fide dispute concerning royalty payments does not *automatically* constitute a material breach unless the contract so provides, not that such a dispute could *never* constitute a material breach under any circumstances.[3] We agree with the Second Circuit's statement in *Guinness*. Although the district court may have construed *Guinness* overbroadly in reaching its conclusion that no material breach occurred, we may affirm the district court's decision on any basis supported by the record, even if the court relied on the wrong grounds or wrong reasoning. *United States v. Washington*, 969 F.2d 752, 755 (9th Cir. 1992); *Marino v. Vasquez*, 812 F.2d 499, 508 (9th Cir. 1987).

---

[3] The actual language in *Guinness* states that "a bona fide dispute concerning royalty payments does not, as a matter of law, establish a material breach justifying rescission of the contract absent an express provision in the agreement. . . . Whether [defendant's] action in withholding disputed legal fees is such a breach is therefore sufficiently arguable to debar [plaintiff] from obtaining an injunction." *Guinness & Sons*, 732 F.2d at 1101.

Although Fantasy's copyright infringement action arose under federal law, Fogerty's rescission counterclaim was governed exclusively by state contract law. *See Reliance Finance Corp. v. Miller,* 557 F.2d 674, 679 (9th Cir. 1977). California law provides that a party may unilaterally rescind a contract if there is a material breach by the other party. Cal. Civ. Code § 1689(b)(2) (West 1985). The materiality of a partial breach of contract is determined by the importance or seriousness of the breach and the likelihood that the injured party will receive substantial performance. 1 B.E. Witkin, *Summary of California Law* § 795, at 718 (9th ed. 1987). A material breach is one that "is so dominant or pervasive as in any real or substantial measure to frustrate the purpose of the undertaking." *Medico-Dental Bldg. Co. v. Horton & Converse,* 132 P.2d 457, 470 (Cal. 1942). If a breach does not go " 'to the root of the matter' " and " 'can be readily compensated in damages,' " a party may not rescind. *Integrated, Inc. v. Alec Fergusson Elec. Contractor,* 58 Cal. Rptr. 503, 509 (Cal. Ct. App. 1967) (quoting *Fountain v. Semi-Tropic Land & Water Co.,* 34 P. 497, 498 (Cal. 1893)). The Restatement (Second) of Contracts lists five circumstances as "significant" in determining whether a breach is material:

> (a) the extent to which the injured party will be deprived of the benefit which he reasonably expected;
>
> (b) the extent to which the injured party can be adequately compensated for the part of that benefit of which he will be deprived;
>
> (c) the extent to which the party failing to perform or to offer to perform will suffer forfeiture;

> (d) the likelihood that the party failing to perform or to offer to perform will cure his failure, taking account of all the circumstances including any reasonable assurances;
>
> (e) the extent to which the behavior of the party failing to perform or to offer to perform comports with standards of good faith and fair dealing.

Restatement (Second) of Contracts § 241 (1981).

Fogerty argues that whether Fantasy's deposit of Fogerty's royalties in an irrevocable escrow account pending the outcome of the copyright action amounted to a material breach of the music publishing agreements was a disputed issue of fact. Although the question of whether a breach is material depends on the facts and circumstances of each particular case, *see Federal Deposit Ins. Corp. v. Air Florida Sys., Inc.,* 822 F.2d 833, 840 (9th Cir. 1987), *cert. denied,* 485 U.S. 987 (1988), and thus is "normally" a question for the jury, 6 Samuel Williston, *A Treatise on the Law of Contracts* § 841, at 159 (3d ed. 1962), it need not be left to the trier of fact where, as here, the underlying facts are undisputed and only the legal conclusion to be drawn from those facts remains in doubt. *See B.F. Goodrich Co. v. Vinyltech Corp.,* 711 F. Supp. 1513, 1520 (D. Ariz. 1989) (granting summary judgment for plaintiff on breach of contract claim despite defendant's assertion of material breach); *Boeing Airplane Co. v. Aeronautical Indus. Dist. Lodge No. 751,* 91 F. Supp. 596, 609 (W.D. Wash. 1950) (granting summary judgment based on material breach), *aff'd,* 188 F.2d 356 (9th Cir.), *cert. denied,* 342 U.S. 821 (1951); *cf. Far West Fed. Bank v. Director, Office of Thrift Supervision,* 787 F. Supp. 952, 960 (D. Or. 1992)

(granting rescission on summary judgment based on frustration of purpose and impossibility of performance).

When Fantasy began to deposit all royalties due Fogerty into an interest-bearing escrow account upon commencement of the copyright action, Fantasy instructed the escrow agent to hold the funds until receipt of either a court order or joint instructions from Fantasy and Fogerty. Simultaneously with the establishment of the escrow account, Fantasy informed Fogerty that all royalties would be placed in the account as security for any judgment Fantasy might receive in the copyright action and that royalty payments would be resumed if Fogerty provided an alternate form of security. Fantasy continued to provide Fogerty with royalty statements for each six-month period, and offered to cooperate with Fogerty in selecting a new escrow holder if the existing agent was unsatisfactory. Despite Fantasy's invitations, Fogerty never requested a different escrow holder, sought to negotiate an alternative security, or even inquired how much was deposited or where the account was located.

[2] Our application of the five *Restatement* factors leads us to the conclusion that any breach by Fantasy was nonmaterial as a matter of law. First, although Fogerty was deprived of a significant amount of royalties for the duration of the litigation, he presents no evidence that Fantasy failed to keep accurate records and deposit his royalties in escrow, nor does he dispute that promptly after trial he received the full amount of royalties plus interest, totalling some $1.4 million. Second, Fogerty made no showing that any injury he might have suffered by the delay in receiving royalty payments could not be adequately compensated in damages. Third, Fantasy

would suffer a substantial forfeiture if rescission were granted and ownership of the songs were awarded to Fogerty. Fourth, Fantasy's failure was always likely to be cured in view of Fantasy's communications with Fogerty affirming its obligation to pay royalties under the music publishing agreements, and was in fact cured immediately following the jury verdict.

With regard to the fifth factor under the *Restatement* (whether the breaching party adhered to standards of good faith and fair dealing), Fogerty contends that Fantasy's motives and state of mind in bringing the copyright action and in withholding Fogerty's royalties were questions of fact that should not have been decided on summary judgment. While it is true that questions of motive and intent are not generally susceptible to disposition on summary judgment, *see Grason Elec. Co. v. Sacramento Mun. Util. Dist.*, 571 F. Supp. 1504, 1507 (E.D. Cal. 1983), this does not mean that such questions must be left to the trier of fact even when the nonmoving party presents no evidence to support his claim. *See Vaughn v. Teledyne, Inc.*, 628 F.2d 1214, 1220 (9th Cir. 1980). Fogerty maintains that Fantasy brought the copyright action without any good faith belief in the allegation of infringement and withheld royalties from him in bad faith to coerce him into a settlement and to punish him for songs allegedly defamatory to Zaentz. That Fogerty simply asserts that Fantasy acted in bad faith, however, does not create a disputed issue of material fact precluding summary judgment.

Fogerty contends that even if Fantasy's copyright infringement claim was a bona fide dispute entitling Fantasy to escrow royalties from "Jungle," this did not entitle

Fantasy to withhold royalties from all of Fogerty's songs, and that whether such withholding was excessive and in itself a material breach was a disputed question of fact. Although Fogerty cites no law in support of this argument, we might be led to agree with him had Fantasy not offered Fogerty the chance to avoid the withholding of royalties by furnishing an alternate form of security. Under these circumstances, we conclude that summary judgment was not barred by any disputed question of excessive withholding of royalties.

"One of the principal purposes of the summary judgment rule is to isolate and dispose of factually unsupported claims. . . . " *Celotex Corp. v. Catrett*, 477 U.S. 317, 323-24 (1986). Once a summary judgment motion is made and properly supported, the adverse party may not rest on the mere allegations of his pleadings, but must set forth specific facts showing that there is a genuine issue for trial. Fed. R. Civ. Pro. 56(e). Fogerty has not met this burden. As the district court found, "Fogerty supplies no factual basis beyond mere assertions that [Fantasy] has acted fraudulently or delinquently." *Fantasy, Inc.*, 664 F. Supp. at 1354. Such unsubstantiated allegations are clearly insufficient to defeat a motion for summary judgment. The available *evidence*, when viewed in the light most favorable to Fogerty, leads to the conclusion that Fantasy's depositing of Fogerty's royalties in an irrevocable interest-bearing escrow account under the circumstances here involved did not constitute a material breach justifying rescission of the music publishing agreements.

III

In 1989, after Fogerty prevailed at the jury trial on Fantasy's copyright claim, the district court denied Fogerty's motion for attorneys' fees under 17 U.S.C. § 505. The court found that Fantasy's infringement suit was not brought frivolously or in bad faith, and thus circuit precedent precluded an award of attorneys' fees to Fogerty. *See Olson v. National Broadcasting Co.*, 855 F.2d 1446, 1454 (9th Cir. 1988); *McCulloch v. Albert E. Price, Inc.*, 823 F.2d 316, 322 (9th Cir. 1987); *Cooling Systems & Flexibles, Inc. v. Stuart Radiator, Inc.*, 777 F.2d 485, 493 (9th Cir. 1985). Fogerty challenges this order on the ground that the court did not apply the correct standard. Alternatively, he urges this court to abandon its existing standard in favor, of the "evenhanded" approach of the Third and Eleventh Circuits, which rejects bad faith or frivolity as a prerequisite for an award of attorneys' fees to a prevailing party. We review a district court's denial of an award of attorneys' fees pursuant to the Copyright Act for an abuse of discretion, *Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 886 F.2d 1545, 1556 (9th Cir. 1989), *cert. denied*, 494 U.S. 1017 (1990), and a district court's findings of fact for clear error, Fed. R. Civ. P. 52(a); *Kruso v. Int'l Tel. & Tel. Corp.*, 872 F.2d 1416, 1421 (9th Cir. 1989), *cert. denied*, 496 U.S. 937 (1990).

This circuit has adopted the rule that in litigation brought under the Copyright Act a prevailing defendant may not be awarded attorneys' fees under § 505 unless it can be demonstrated that the action was frivolous or was instituted and prosecuted in bad faith. The purpose of that rule is to avoid chilling a copyright holder's incentive to sue on colorable claims, and thereby to give full

effect to the broad protection for copyrights intended by the Copyright Act. *See McCulloch*, 823 F.2d at 322-23. Fogerty presented numerous arguments below to support his contention that Fantasy's copyright action was frivolous and/or in bad faith. The district court rejected these arguments.

[3] Fogerty argues that the district court abused its discretion by treating "bad faith" and "frivolity" as the same standard, instead of applying the disjunctive test of "bad faith *or* frivolity." While Fogerty does not appear to contend that Fantasy's copyright suit was frivolous, he argues that an action that is not frivolous may still be brought in bad faith, and that the district court erroneously ignored the actual bad faith motivation for filing this action because Fantasy's attorneys were able to design a cause of action that could ultimately be submitted to the jury. A fair reading of the district court's opinion, however, compels the conclusion that the court recognized and applied the correct standard of bad faith *or* frivolity:

> The Court finds that Fantasy's infringement suit was not brought frivolously *nor* in bad faith. . . . Fantasy's suit was not frivolous merely because it presented a case of first impression. Nor does Fantasy's "knowledge of Fogerty's creativity" mean that this suit was brought in bad faith, where a finding of subconscious copying would have supported Fantasy's infringement claim. And although the Court did not allow Fantasy to maintain a "breach of warranty" claim, Fantasy's attempt to argue such a theory is no more in bad faith than was Fogerty's pretrial assertion that the "fair use"

> defense of the Copyright Act was applicable to him.
>
> Because the Court finds that Fantasy's suit alleging that "Old Man" infringed upon "Jungle" was not filed frivolously *nor* in bad faith, the Court finds that whatever animosity exists between Fogerty and Zaentz does not warrant an award of attorneys' fees.

Order re Motions to Reconsider and Motions for Attorneys' Fees and Costs at 10-11 (emphasis added). Although some of the court's language in support of the conclusion that the suit was not brought in bad faith may more properly apply to the frivolity contention, the overall statement clearly indicates an application of the proper disjunctive standard.

In his brief before this court, and again at oral argument, Fogerty presents as "evidence of Fantasy's vindictive use of litigation" an out-of-context sentence from the closing argument of Fantasy's counsel at trial. Fogerty notes that Fantasy's counsel, after reciting the lyrics of "Zanz Kant Danz" (which was the basis for a defamation suit against Fogerty by Zaentz), argued to the jury: "Ladies and Gentlemen, if your name was Zaentz and you had been part of John Fogerty's background, . . . wouldn't you sue?" What Fogerty fails to mention, however, is that Fantasy's counsel was explaining why Zaentz had believed that the song referred to him and had filed his defamation suit, not why Fantasy had filed its copyright infringement action. Although Fogerty alleges the "fact" that "Zaentz has a deep personal dislike for Fogerty and caused Fantasy to bring this frivolous copyright infringement suit as another attempt to get

back at Fogerty," he presented no evidence to the district court that would require a finding that Fantasy's action was brought in bad faith. The district court did not clearly err in finding that the copyright action was not brought in bad faith, nor did it abuse its discretion in following Ninth Circuit precedent and denying Fogerty's motion for attorneys' fees.

With regard to Fogerty's argument that the existing Ninth Circuit standard should be abandoned in favor of the approach of the Third and Eleventh Circuits, this panel is bound by the existing circuit rule, which conforms with the approach of the Second and Seventh Circuits. *See Video Views, Inc. v. Studio 21, Ltd.*, 925 F.2d 1010, 1022 (7th Cir.), *cert. denied*, 112 S. Ct. 181 (1991); *Roth v. Pritikin*, 787 F.2d 54, 57 (2nd Cir. 1986). We decline to create an exception or to call for an *en banc* hearing to revisit that rule at this time.

CONCLUSION

We therefore hold that the district court did not err in striking the stale and irrelevant Zaentz/Argosy allegations from Fogerty's counterclaims, in ruling against Fogerty on summary judgment, or in denying Fogerty attorneys' fees.

AFFIRMED.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

FANTASY, INC., Plaintiff, v. JOHN C. FOGERTY, WENAHA MUSIC CO., WARNER BROS. RECORDS, INC., WEA INTERNATIONAL, INC., WARNER COMMUNICATIONS, INC., WEA MANUFACTURING, INC., WEA CORPORATION, Defendants. AND COUNTERCLAIMS	No. C 85 4929 SC ORDER RE MOTIONS TO RECONSIDER AND MOTIONS FOR ATTORNEYS' FEES AND COSTS

(Filed JAN. 6, 1989)

BACKGROUND

Plaintiff Fantasy, Inc. ("Fantasy") filed a copyright infringement action in July of 1985, alleging that defendant John Fogerty's ("Fogerty") song "The Old Man Down the Road" ("Old Man") infringed on the copyrighted song "Run Through the Jungle" ("Jungle"). Fantasy claimed that although Fogerty wrote Jungle, Fantasy owned the copyright to that song, and that Fogerty's new song "Old Man" infringed on that copyright. Fogerty filed his first answer, which included counterclaims, on November 11, 1985. Fantasy moved to dismiss these counterclaims, and on February 19, 1986, Fogerty filed a new answer, which included amended counterclaims.

These counterclaims (1) sought rescission of the songwriting contracts and restitution of the songs; (2) alleged copyright infringement by Fantasy of those songs, dependent on a favorable ruling on the rescission claim; and in the alternative (3) sought damages for breach of contract; and (4) an accounting for Fantasy's failure to pay royalties to Fogerty since 1985.

A jury trial on the copyright issue took place from October 24, 1988 through November 4, 1988. The jury returned a verdict for Fogerty and against Fantasy, finding that Fogerty did not infringe "Jungle" with his song "Old Man."

Numerous orders and rulings preceded the jury trial. The most important of these, for the present purposes, established the following: (1) that Fantasy owned a valid copyright to "Jungle," *Fantasy, Inc. v. Fogerty,* 664 F. Supp. 1345, 1350 (N.D. Cal. June 5, 1987); Order Denying Warner's Motion for Reconsideration, July 2, 1987; (2) that Fogerty, although he wrote the allegedly infringed song "Jungle" and was a beneficial owner of that song, could still be found liable for copyright infringement of that song, *Fantasy Inc. v. Fogerty,* 654 F. Supp. 1129, 1132 (N.D. Cal. Feb. 24, 1987); (3) that portions of Fogerty's First Counterclaim should be stricken, alleging that Saul Zaentz and Argosy Venture wrongfully induced Fogerty to enter unwise and unlawful tax schemes from 1969 to 1974, Order Re Plaintiff's Motion to Dismiss Amended Counterclaims and Defendant's Motion to Reconsider Imposition of Sanctions, May 2, 1986, at 3-5; (4) that Fantasy was entitled to summary judgment on Fogerty's First and Second Counterclaims for rescission, restitution,

and copyright infringement, the Court holding that Fantasy's payment of royalties into an escrow account rather than to Fogerty directly did not constitute a material breach warranting rescission of the songwriting contracts, *Fantasy v. Fogerty,* 664 F. Supp. 1345, 1353 (N.D. Cal. June 5, 1987).

Fogerty's current motions seek reconsideration of the court's May 2, 1986 Order striking the Zaentz/Argosy Allegations, and reconsideration of the Court's June 5, 1987 Order dismissing Fogerty's First and Second counterclaim for rescission, restitution, and copyright infringement by Fantasy. Fogerty also seeks attorneys fees and costs.

MOTIONS TO RECONSIDER

1. May 2, 1986 Order Striking Zaentz/Argosy Allegations

Fogerty moves to reinstate those portions of his First Counterclaim which alleged "abuses" of Fogerty by Zaentz and Argosy. Fogerty claims in his motion for reconsideration that the 1969 tax scheme was only the beginning of "abusive acts of Zaentz," and that "abusive acts" continue through the present. Fogerty Motion for Reconsideration, at 6-8. However, Fogerty offers no legal theories regarding the relevance of these so-called "abusive acts" to the claims for rescission and restitution alleged in his First counterclaim. The only legal authority Fogerty supplies is a case which relies on New York law in stating that "a showing of fraud would certainly be grounds for rescission." Fogerty Motion for Reconsideration, at 13, citing *Nolan v. Sam Fox Publishing Co.,* 499 F.2d

1394, 1397 (2d Cir. 1974). Fogerty cites no California law for this proposition, nor does Fogerty offer any coherent legal argument that the string of alleged "abuses" he lists constitutes fraud which would justify the rescission of songwriting contracts made in 1969. To withstand a summary judgment motion, the non-moving party must come forward with more persuasive evidence than would otherwise be necessary if the factual context makes his claim implausible. *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 587 (1986). No longer can it be argued that any disagreement about a material issue of fact precludes the use of summary judgment. *California Architectural Building Products, Inc. v. Franciscan Ceramics, Inc.*, 818 F.2d 1466, 1468 (9th Cir. 1987).

Moreover, Fogerty has continuously stated that his counterclaims are primarily based on Fantasy's failure to make royalty payments. *See* Fogerty Memo. in Opposition to Fantasy's Motion to Dismiss Counterclaims, April 18, 1986, at 7:26 ("In 1985 Fantasy ceased paying royalties to Fogerty. As pointed out before by Fogerty this total breach of the Dunes/Galaxy Contract is the gravamen of the First Claim of the Counterclaims"); *Id.*, at 14:17 ("The principal claim asserted in the Counterclaims is the termination of royalty payments in 1985 . . . "); *See also* Fogerty Memo. in Support of Motion to Reconsider, November 22, 1988, at 11:2; *Id.*, at 12:24; Fogerty Reply Memo. in Support of Motion to Reconsider, December 30, 1988, at 7:7. The Court's May 2, 1986 Order striking the Zaentz/Argosy Allegations left intact Fogerty's counterclaims for rescission, restitution, and copyright infringement based on "the gravamen" of these counterclaims: the allegations concerning royalties withholdings.

Because Fogerty has not now, nor ever, provided this court with a cognizant legal theory tying Zaentz's so-called "acts of abuse" to Fogerty's counterclaims for rescission, restitution, and copyright infringement, and because Fogerty has made no legal arguments today that the Court has not already considered and rejected regarding the Zaentz/Argosy Allegations, Fogerty's motion to reconsider the Court's May 2, 1986 Order is HEREBY DENIED.

2. June 5, 1987 Order Granting Fantasy's Motion for Summary Judgment on Fogerty's First and Second Counterclaims

Fogerty also moves this Court to reconsider its June 5, 1987 Order granting Fantasy summary judgment on Fogerty's First and Second Counterclaims for rescission, restitution, and copyright infringement. In effect, Fogerty wishes the Court to find that Fogerty is the legal owner of the copyright to the "Jungle" song, among others, and to allow Fogerty to maintain a suit against Fantasy for infringing on Fogerty's copyright to that song. Besides the fact that Fogerty makes no new legal arguments to alter the court's previous ruling that the payment of royalties into an escrow account does not constitute a material breach of Fogerty's contract, the court finds that this motion to reconsider is ill-timed. An entire two week jury trial was held on the issue of whether Fogerty infringed "Jungle" with "Old Man." The trial was premised on the Court's previous rulings that Fantasy was the rightful owner to the "Jungle" copyright. Fogerty had more than a year before the trial began to bring this motion to reconsider, which, if granted, would have

negated the need for a trial and would have saved substantial judicial resources. For the reasons that follow, the Court finds no merit in Fogerty's motion to reconsider its June 1987 Order.

In the June 1987 Order the Court dismissed Fogerty's counterclaim for rescission of the songwriting contracts, and therefore his counterclaims for restitution and copyright infringement, holding that Fantasy's payment of royalties into an escrow account did not constitute a material breach warranting rescission of the contract. The Court found that a bona fide dispute existed regarding whether royalty payments should be paid Fogerty, and that payment of the funds into an escrow account beginning in 1985 did not constitute a material breach, where Fantasy had performed its royalty obligations in the past, and had allowed Fogerty the option of providing alternate security for the infringement claim. *Fantasy, Inc. v. Fogerty*, 664 F. Supp. at 1355. Moreover, the Court held that Fogerty could be compensated in damages for Fantasy's failure to pay royalties, and that therefore the extraordinary remedy of rescission was not necessary. *Id.*

Fogerty argues in his motion to reconsider that the Court was incorrect in finding that Fantasy's payment of the royalties into an escrow account was not a material breach. Fogerty Memo. in Support of Motion for Reconsideration, Nov. 22, 1988, at 13-15; Fogerty Reply Memo. in Support of Motion for Reconsideration, Dec. 30, 1988, at 6-7. Fogerty contends that because the jury found in his favor, there was never a "bona fide dispute" regarding whether Fogerty had infringed on Fantasy's copyright, and that therefore the payment of royalties into an escrow account constituted a material breach. *Id.* at 5.

The Court does not follow this logic. Because the issue was necessary to submit to a jury, rather than being clear as a matter of law, the dispute concerning infringement was "bona fide." The Court's previous ruling that the dispute was bona fide was not in any way dependant on a judgment in favor of Fantasy. The Court finds that Fantasy's motion to reconsider the June 1987 Order is "nothing more than dissatisfaction with a ruling of the court. As such, it would be appropriate for appellate relief" rather than relief in the form of a motion to reconsider. *McCarthy v. Mayo*, 827 F.2d 1310, 1318 (9th Cir. 1987).

Fogerty has now received the royalty funds that were placed into escrow by Fantasy. Burnstein Declaration, ¶¶ 4-7. Therefore, the "gravamen of the Counterclaims" has been satisfied. Fogerty complains that he has "requested an accounting of the escrow account but none has been provided." Fogerty Reply Memo, at 7:17. However, the parties have agreed to the proper disposition of such complaints in their amended joint pretrial statement. See Amended Joint Pretrial Statement, September 15, 1988 at pp. 35-40. Paragraph 4 clearly provides that Fogerty has the right to conduct an audit of Fantasy's books and records to verify royalty reports, and that any objections by Fogerty must be "negotiated in good faith," and that Fogerty shall then "have the right to bring an action on any such objections not settled . . . " Fogerty must proceed along this agreed-upon avenue if he wishes to obtain an accounting of the royalties owed him.

For the foregoing reasons, Fogerty's motion to reconsider the Court's June 5, 1987 Order is HEREBY DENIED.

MOTION FOR ATTORNEYS' FEES AND COSTS

1. Attorneys' Fees

Fogerty moves this Court for an award of attorneys' fees, pursuant to 17 U.S.C. §505. An award of attorneys' fees under the Copyright Act is discretionary with the district court. *McCulloch v. Albert E. Price, Inc.*, 823 F.2d 316, 322 (9th Cir. 1987). Where a prevailing defendant is the moving party, a finding of bad faith or frivolity on the plaintiff's part is a predicate to an award of attorneys' fees. *Id; Cooling Systems & Flexibles, Inc. v. Stuart Radiator, Inc.*, 777 F.2d 485, 493 (9th Cir. 1985).

Fogerty claims that Fantasy's copyright infringement suit was frivolous and filed in bad faith. Fogerty supports this claim by stating (a) that Fantasy "had intimate knowledge of Fogerty's creativity . . . and extraordinary abilities as a songwriter," and that it was unprecedented to have a jury trial on the issue of whether an artist could infringe on his own work, Fogerty Memo. in Support of Attorneys' Fees and Costs, at 5-7; (b) that Fantasy "never had any belief that Fogerty had copied himself," citing the fact that the Zaentz, Bendich, and Kaffel declarations do not state personal opinions regarding whether "Jungle" was copied, and also the fact that a former member of the Creedence Clearwater Revival Band ("Creedence") has now submitted a declaration to the effect that he did not instigate the idea that Fantasy sue Fogerty for copyright infringement, Fogerty Reply Brief, at 5-7; (c) that Zaentz has a personal animosity towards Fogerty, *Id.* at 8; (d) that Fantasy "reversed its prior position" that Fogerty had independently created earlier Creedence songs, Fogerty Memo. at 10; (e) that Fantasy's "breach of warranty"

pretrial arguments constituted "absurd bolstering" of its infringement claim, *Id.* at 8; (f) that Fantasy's settlement offer was "absurd and frivolous," *Id.* at 13; (g) that it is necessary to deter Fantasy from bringing further suits, *Id.* at 13-14.

Fantasy denies these assertions, claiming that its suit was brought upon a good faith belief that "Old Man" infringed "Jungle," and was brought after hearing that several people in the music business believed that the two songs were remarkably similar. Fantasy also states that its position is not inconsistent with its earlier one, in that Fantasy believes that "Jungle" and "Old Man" are more alike than any previous Fogerty songs, and also that it would not have made sense for Fantasy to sue Fogerty for Creedence Clearwater Revival songs that sounded like other Creedence songs, in that Fantasy owns the copyright for all of these songs. Fantasy Opposition Memo., at 14-16.

The Court finds that Fantasy's infringement suit was not brought frivolously nor in bad faith. Although the facts of this case did not present the textbook scenario of copyright infringement, the Court has held that Fogerty could indeed be held liable for copyright infringement even where he also wrote the song allegedly infringed. *Fantasy Inc. v. Fogerty*, 654 F.Supp. 1129, 1132 (N.D. Cal. 1987). Fantasy's suit was not frivolous merely because it presented a case of first impression. Nor does Fantasy's "knowledge of Fogerty's creativity" mean that this suit was brought in bad faith, where a finding of subconscious copying would have supported Fantasy's infringement claim. And although the Court did not allow Fantasy to maintain a "breach of warranty" claim,

Fantasy's attempt to argue such a theory is no more in bad faith than was Fogerty's pretrial assertion that the "fair use" defense of the Copyright Act was applicable to him.

Because the Court finds that Fantasy's suit alleging that "Old Man" infringed upon "Jungle" was not filed frivolously nor in bad faith, the Court finds that whatever animosity exists between Fogerty and Zaentz does not warrant an award of attorneys' fees. Fogerty's motion for attorneys' fees is HEREBY DENIED.

2. Costs

The Court HEREBY ORDERS that Fogerty be awarded costs, in accordance with Appendix A to the Local Rules of the Northern District of California, and 28 U.S.C. §1821.

These costs shall be assessed by the Clerk of Court, and this assessment shall reflect this Order that costs not be awarded for witness John Fogerty, who was a party in interest in this lawsuit, nor shall costs for any witness exceed $95.00 per day, plus $30.00 per day witness fee, plus reasonable economy class air fare. The Court awards costs for Bob Fogerty, in accordance with these guidelines. Defendant shall document all air fare costs.

CONCLUSION

In accordance with the foregoing, IT IS HEREBY ORDERED that:

(1) Defendant/ Counterclaimant's motion to reconsider the Court's May 2, 1986 Order is DENIED;

(2) Defendant/ Couterclaimant's motion to reconsider the Court's June 5, 1987 Order is DENIED;

(3) Defendant/ Counterclaimant's motion for attorneys' fees is DENIED; and

(4) Defendant/ Counterclaimant's motion for costs is GRANTED and shall be assessed by the Clerk of Court in accordance with this Order.

SO ORDERED.

Dated: January 6, 1989

/s/ Samuel Conti
United States District Judge